# Transit Finance Work Group: Corridors Summary

# Agenda of Today's Presentation

1. Cost estimates and defining funding gap
   - Incorporate federal financing options
   - Subtract federal grants and fare revenues
   - Federal grant assumptions per CATS and Task Force

2. Closing funding gap with only a new dedicated sales tax
   - Order of magnitude before other alternatives (shock value)

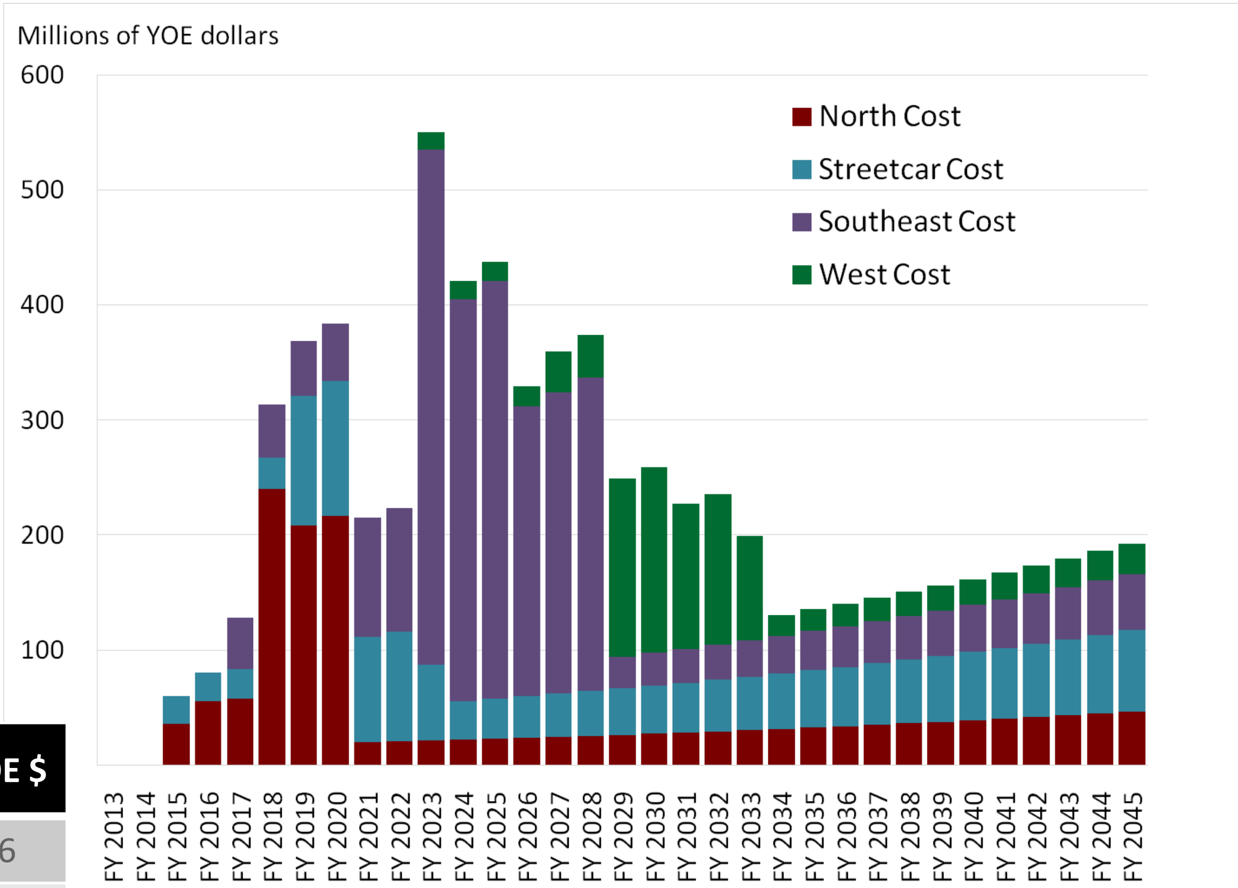
3. Closing funding gap with new dedicated sales tax and additional sources of revenue (getting back to reality)
   - Implementation strategies that can help bracket capital and operating costs

# 1. COST ESTIMATES AND DEFINING FUNDING GAP *(CAPEX & OPEX ESTIMATES PROVIDED BY CATS)*

# Cost of Remaining 2030 Plan Transit Corridors

CATS CHARLOTTE AREA TRANSIT SYSTEM

- **Cost estimates provided by CATS based on industry standards, not recent studies of actual corridors**
- Current ½% sales tax capacity is fully utilized by current system and pledged to BLE finance plan
- Baseline schedule with order of corridors similar to 2030 Plan

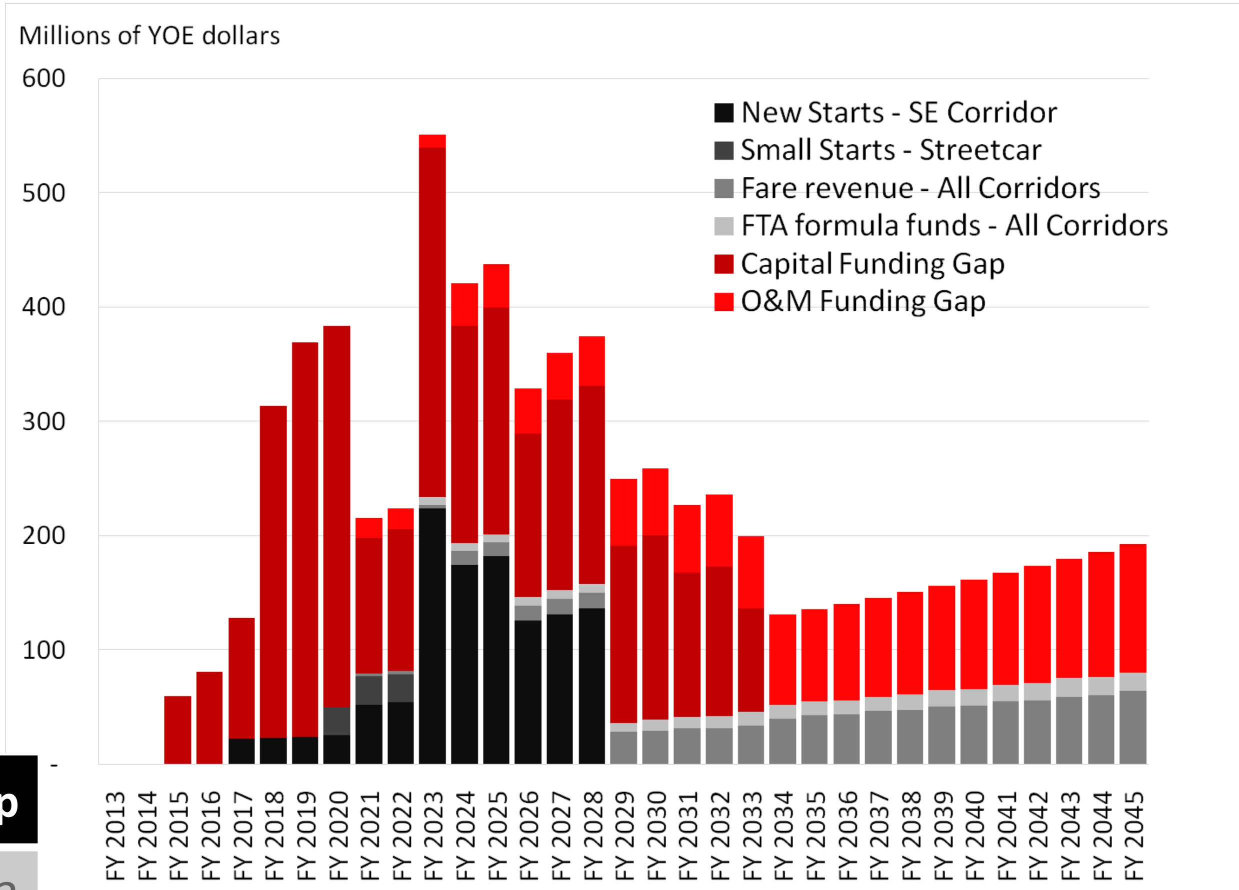



| (millions) | 2013 $ | YOE $ |
|---|---|---|
| Capital Cost | $3,030 | $4,546 |
| O&M Cost Opening Yr | $62 | |
| O&M Cost in FY 2035 | | $135 |

# Funding Gap after Federal Funds and Fares

- 50% New Starts Match on Southeast LRT (Reality Check?)
- $75m Small Starts for Streetcar
- FTA formula funds and fare revenue during operations

| (billions) | Cost | Funding Gap |
|---|---|---|
| Capital | $4.5 | $3.3 |



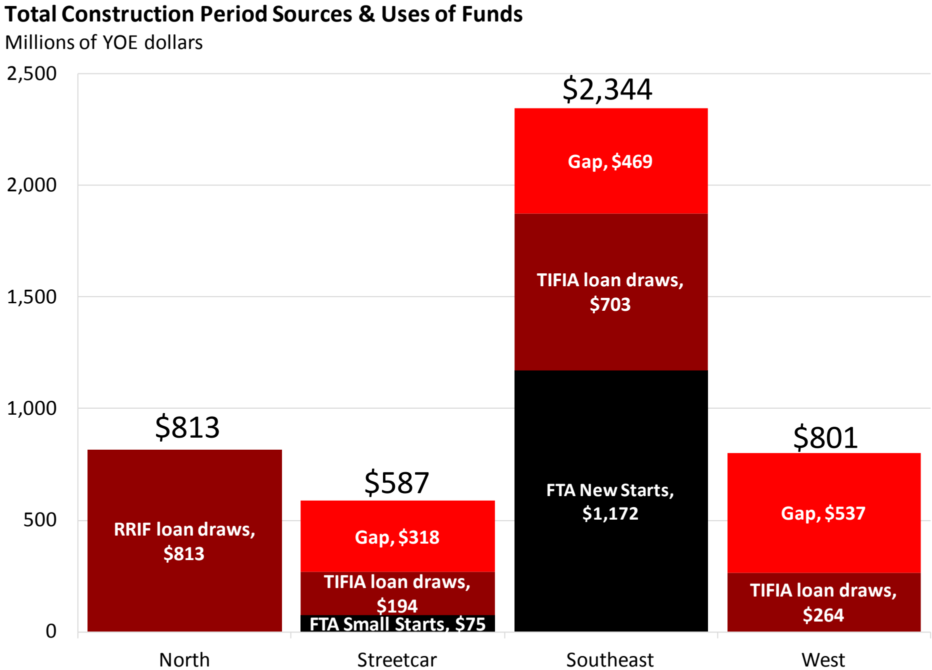
# Financing the Capital Investment

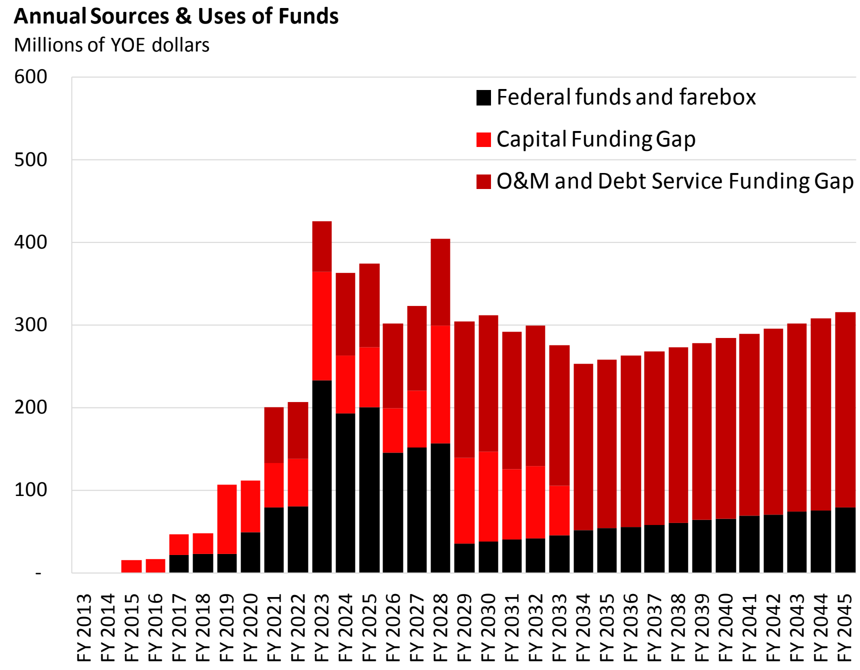
- Financing only defers timing of payments

- Federal Loan Programs – TIFIA and RRIF
  - Low, fixed interest rates equivalent to Treasury rates
  - Long-term debt with interest accrual and flexible repayment terms
    - Other below-market borrowing options likely to emerge over time (Infra Bank)
  - Conventional tax-exempt revenue bonds
  - Availability payment PPPs (incorporating TIFIA, RRIF, Private Activity Bonds)

- Opportunities for Transit Corridors
  - North Corridor – RRIF loan up to 100% of eligible costs
    - Norfolk Southern alignment allows eligibility – NS could be borrower
  - TIFIA Loan for Program of Projects concept to explore
  - Streetcar and West Corridor – TIFIA loans at 33% of eligible costs
    - 49% maximum allowed but 33% maximum assumed (most ever awarded)
  - Southeast Corridor – TIFIA loan at 30% of eligible costs
    - New Starts 50% match would limit federal participation to 80%

# Sources and Uses of Funds: Capital Gap Remains & Spread Over Time Thru Loans




Note: Funding gap excludes unfunded costs related to capital renewal and replacement (e.g., vehicle mid-life overhauls and replacements)

# 2. CLOSING FUNDING GAP IF NEW SALES TAX WERE THE ONLY OPTION – CAUTION: THIS IS SCARY!

# What Amount of Sales Tax Does it Take to Close Capex + Opex Gaps (assuming no other sources)?

- 0.78% (roughly) sales tax to close **all** funding gaps in construction, O&M, and debt service for all corridors
- Next Steps:
  - Introduce alternatives Task Force has discussed to get back to reality
  - Develop "regional equity" approach to help individual corridors proceed independently
  - Get a handle on the cost-side of the equation

| | | |
|---|---|---|
| North | 0.24% | 31% |
| Streetcar | 0.21% | 27% |
| Southeast | 0.19% | 24% |
| West | 0.14% | 18% |
| **Total New Sales Tax** | **0.78%** | **100%** |

# Getting Back to Reality – Cap Sales Tax Expectation at Current Levels

- Limit new sales tax to ½%
- Cap each corridor at a maximum ¼ of new sales tax revenues
- Next Up:
  - Solve remaining funding gap for each corridor through other (non-sales tax) innovative means

| | | |
|---|---|---|
| North | 0.125% | 25% |
| Streetcar | 0.125% | 25% |
| Southeast | 0.125% | 25% |
| West | 0.125% | 25% |
| **Total New Sales Tax** | **0.50%** | **100%** |

# 3. CLOSING FUNDING GAPS ASSUMING A NEW ½% SALES TAX

# New Sales Tax Scenario + Other Sources

- Actions to enhance opportunities on all corridors
  - Advocate for sales tax expansion or increase in existing rate
    - Tax could be multi-modal
    - Explore option of sunset after capital expansion ("Pennies for Progress")
  - Revisit scopes, cost estimates and schedules to reduce funding requirement and accelerate delivery
    - make transit an incremental cost wherever possible
  - Pursue expanded DB, DBOM, DBF & DBFOM (PPP) enabling legislation to improve leverage options, cost and schedule certainty, and access to private capital
  - Improve TIF legislation – Consider a "System Plan" boundary to pool benefits of network
    - Work out corridor-level caps to preserve regional equity and corridor independence
    - Progress serious study of revenue potential
  - Reinvest savings from existing service
  - Package multi-corridor benefits from:
    - Ads, naming rights, sponsorships
    - Energy-related revenues and financing vehicles
    - Parking and future road / VMT-pricing mechanisms
    - Air rights

| (millions) | Funding Gap (YOE$) 2013-2045 with new ½% sales tax & 25%/corridor |
|---|---|
| North | $695 |
| Streetcar | $322 |
| Southeast | $485 |
| West | $55 |

# North Corridor

- Other funding possibilities:
  - NCDOT - economic benefit of relief on I-77 & potential maintenance of traffic savings during construction
    - NCRR participation?

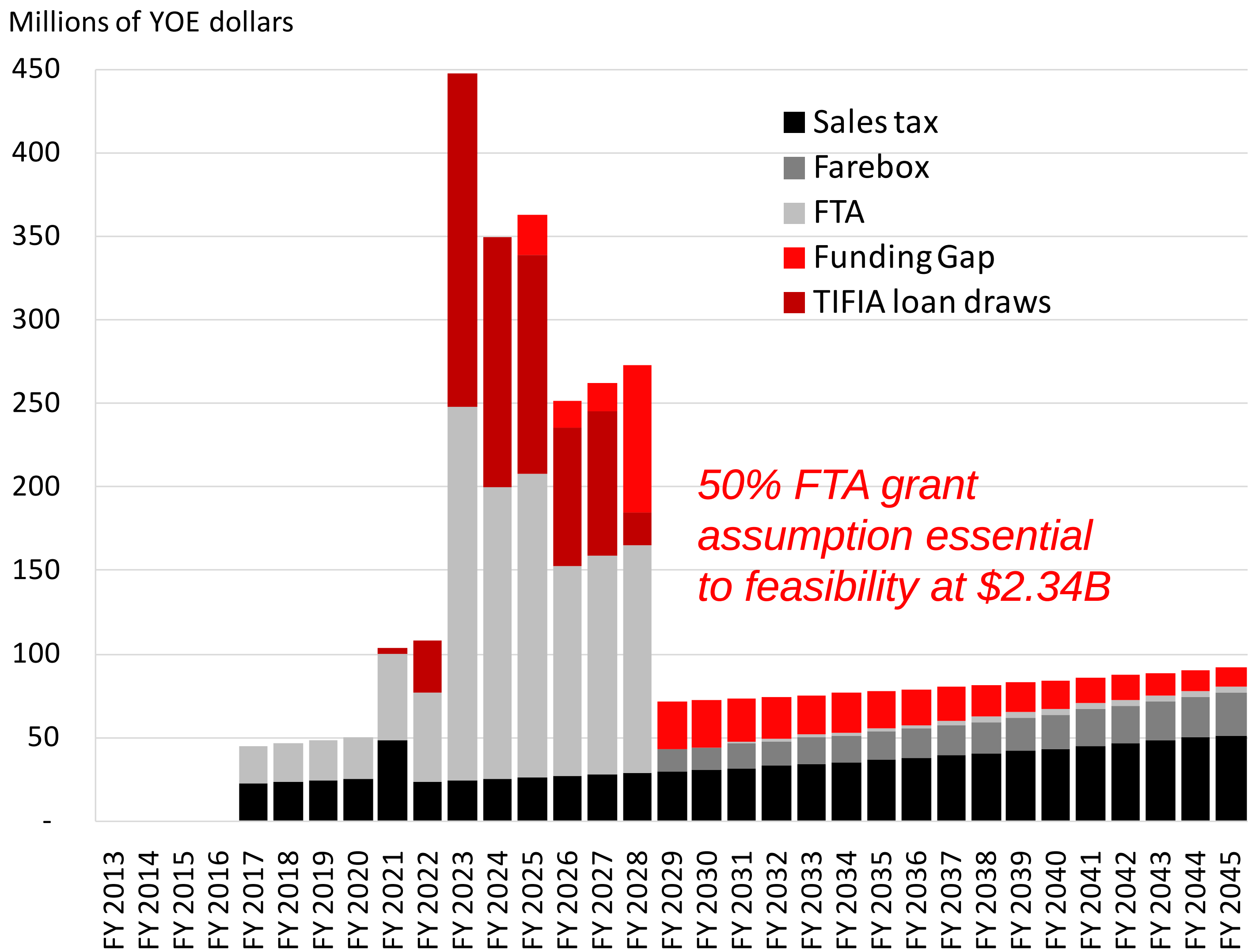
- Next steps:
  - Validate costs – capex in particular
  - Advance talks with Norfolk Southern and other sources of private financing to explore partnership and PPP possibilities
  - Refine value capture estimates from NCDOT/Red Line Task Force Study
    - Engage local towns to enact TIF and SAD districts as proposed
  - Pursue discussions with new leadership at NCDOT

# Streetcar

- Other funding possibilities:
  - Zoning incentives to attract development
  - Integration with future street and utility work with fixed r-o-w facilities
  - On-street and off-street parking fees

- Next steps:
  - Assess innovative project delivery methods to accelerate, lock in pricing for capex and opex, and address system integration and technology risks

# Southeast Funding Gap with ½% New Sales Tax Capped at 25%

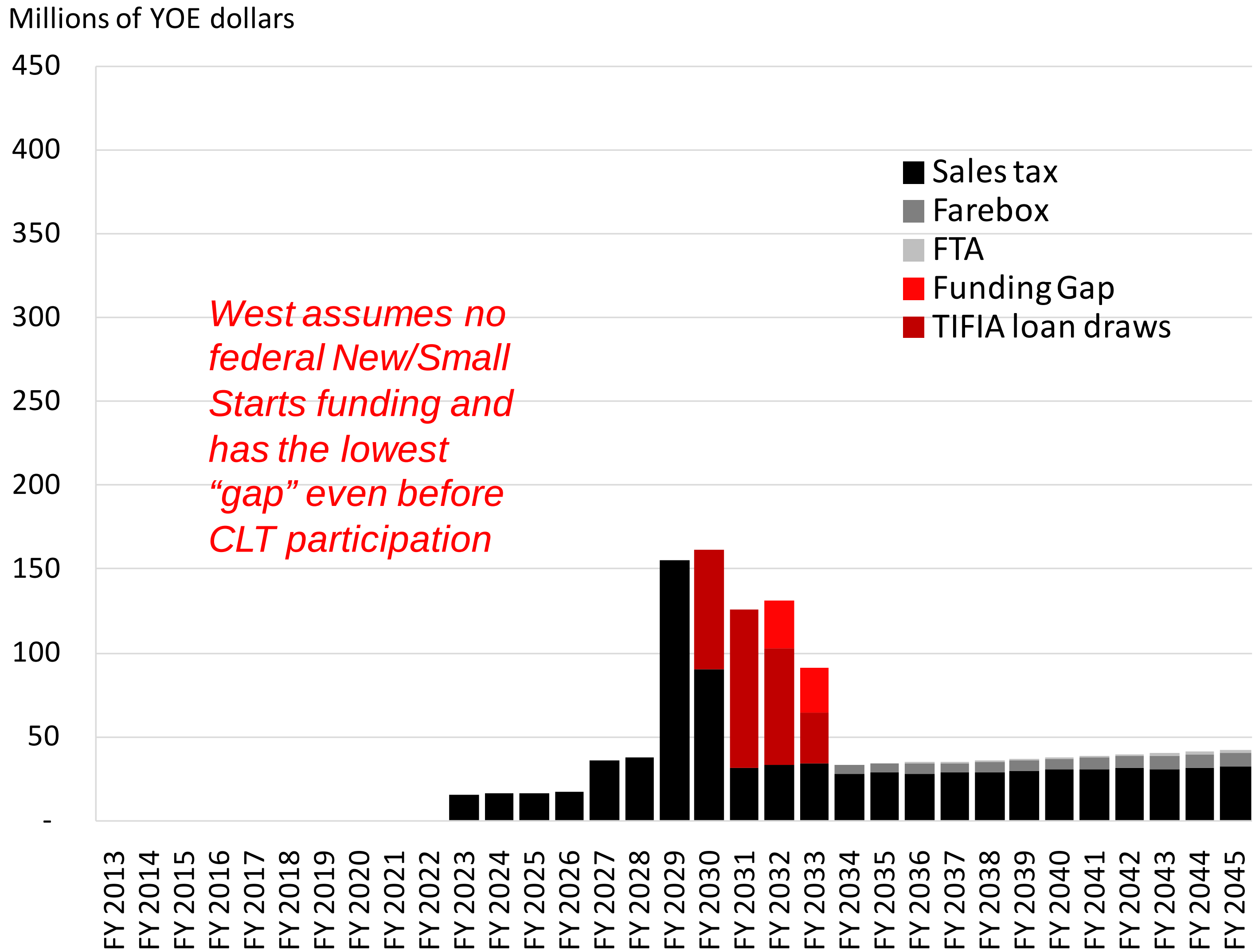


# Southeast Corridor

- Other funding possibilities:
  - Revenue sharing from HOT lanes
  - Revenue from Park and Ride lots
  - Joint highway/transit improvements to complete US-74

- Next steps:
  - Complete planning work to define alignment, refine cost and ridership estimates, develop phasing options, and select mode(s)
  - Assess feasibility of 50% federal share assumption and begin movement to enter New Starts pipeline if deemed realistic

# West Corridor Funding Gap with ½% New Sales Tax Capped at 25%



# West Corridor

- Other funding possibilities:
  - Contribution from CLT Airport Passenger Facility Charges (PFC) for segment operating on airport property
    - Include space for maintenance and storage “inside the fence”?
    - Offset on West Corridor opex for service to airport passengers?
    - Premium fare for airport passengers, discount for airport employees

- Next steps:
  - Develop framework for partnership with Airport
  - Assess options for accelerating delivery to reduce inflation impact on costs and improve pricing for the complete streetcar network – could close small remaining “gap”
  - Engage industry in dialogue on PPP and other innovative delivery options